

Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 AID-05 IGA-02 SS-15 SP-02 NSC-05

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FM AMEMBASSY RANGOON

TO SECSTATE WASHDC 2259

AMEMBASSY BONN

AMEMBASSY CANBERRA

AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY TOKYO

C O N F I D E N T I A L RANGOON 3085

E.O. 11652: GDS

TAGS: EAID, ECON, EFIN, ELAR, BM

SUBJ: GUB BRIEF'S ENVOYS ON AID CONSORTIUM

REF: RANGOON 2971 (NOTAL)

SUMMARY: IN A BRIEFING FOR POTENTIAL DONORS, TOP GUB OFFICIALS HAVE MADE IT PLAIN THAT THE GUB HOPES TO OBTAIN AID FROM MEMBERS OF THE PROPOSED IBRD CONSULTATIVE GROUP WITHOUT HAVING TO UNDERTAKE ANY FURTHER ECONOMIC REFORMS BEYOND THE MODEST ONES ALREADY ANNOUNCED. THE GUB IS NOT YET WILLING TO CONTEMPLATE JOINT VENTURE OR OTHER FORMS OF DIRECT FOREIGN INVESTMENT. THE U.S. SHOULD CONTINUE POLITELY PRODDING THE GUB IN THE DIRECTION OF FURTHER ECONOMIC REFORM. END SUMMARY.

1. AT SEPTEMBER 3 MEETING WITH CHIEFS OF MISSION FROM COUNTRIES THOUGHT TO BE INTERESTED IN THE FORMATION OF A CONSULTATIVE GROUP FOR BURMA (USA, UK, GOJ, AUSTRALIA, CANADA, FRG, FRANCE), THE GUB SIDE (DEPUTY PRIME MINISTER U LWIN, CONFIDENTIAL

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FOREIGN MINISTER U HLA PHONE, DEPUTY FINANCE MINISTER U

MAUNG SHEIN, ET AL) BRIEFLY SUMMARIZED THE GUB'S FIVE YEAR DEVELOPMENT PROGRAMME (REFTEL) AND OFFERED TO CLARIFY ANY POINTS NEEDING CLARIFICATION. U LWIN CONFIRMED THAT A MEETING WILL BE HELD IN TOKYO TOWARDS THE END OF NOVEMBER TO INAUGURATE THE CONSULTATIVE GROUP.

2. SEVERAL CHIEFS OF MISSION CALLED ATTENTION TO ERRORS OF FACT AND MATHEMATICAL DISCREPANCIES IN THE PROGRAMME DOCUMENTS DISTRIBUTED EARLIER. THE GUB SIDE SAID A CORRECTED VERSION HAS BEEN DRAFTED AND WILL BE PRINTED AND DISTRIBUTED AROUND SEPTEMBER 20. AT THE SUGGESTION OF JAPANESE AMBASSADOR ARITA, THE BURMESE AGREED TO SCHEDULE A WORKING-LEVEL MEETING TO REVIEW THE DOCUMENT IN ITS FINAL FORM ON SEPTEMBER 23.

3. MY IMPRESSION FROM THE DISCUSSION AT THE SEPTEMBER 3 MEETING IS THAT THE GUB IS OPTIMISTIC ABOUT THE RESULTS OF ITS "REFORM PACKAGE" AS ANNOUNCED, HOPES TO HOLD THE LINE AGAINST ANY FURTHER REFORMS IF AT ALL POSSIBLE, AND IS NOT YET WILLING TO CONTEMPLATE JOINT VENTURE OR OTHER FORMS OF DIRECT FOREIGN INVESTMENT. HAVING IN MIND RECENT RUMORS THAT THE GUB IS DRAWING UP GUIDELINES FOR FOREIGN INVESTMENT, I ASKED U LWIN IF THERE WAS ANY SIGNIFICANT LEGISLATION LIKELY TO COME UP AT THE FORTHCOMING HLUTTAW SESSION WITH A BEARING ON THE CONSULTATIVE GROUP AID PROGRAM, AND HE SAID THERE WAS NOT.

4. SEVERAL CHIEFS OF MISSION TRIED TO SMOKE OUT THE GUB POSITION IN MORE DEPTH BUT WITHOUT MUCH SUCCESS. CANADIAN AMBASSADOR BAUER ASKED WHETHER THE RELATIVELY MASSIVE PROJECT AID UNDER THE CONSULTATIVE GROUP MIGHT NOT PREEMPT ALL THE BETTER OPPORTUNITIES WHICH COULD OTHERWISE ATTRACT PRIVATE INVESTMENT, AND SUGGESTED THAT CONSULTATIVE GROUP AID BE CONSCIOUSLY DIRECTED TO PUBLIC SECTOR, INFRASTRUCTURE, AND OTHER TYPES OF INVESTMENT THAT WOULD AVOID COMPETITION WITH PRIVATE INVESTORS; THE BURMESE REPLIED THAT BURMA HAD SO MANY ATTRACTIVE OPPORTUNITIES THAT THE CONSORTIUM WAS NOT CONFIDENTIAL

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LIKELY TO PREEMPT ANY SIGNIFICANT PORTION OF THEM. I POINTED OUT THAT ANY NUMBER OF THINGS (E.G., A RUN OF BAD LUCK IN THE WEATHER) COULD RESULT IN A MAJOR SHORTFALL IN THE OVER-ALL INVESTMENT LEVEL, INCLUDING THAT FROM ABROAD, AND HOPED THAT GUB POLICIES WOULD BE FLEXIBLE ENOUGH TO TAP ADDITIONAL SOURCES OF INVESTMENT AS REQUIRED; THE BURMESE REPLIED THAT IN SUCH EMERGENCIES THEY WOULD TRY MULTILATERAL INSTITUTIONS

FIRST, THEN LOOK TO THE COMMERCIAL BANKS, IN EFFECT USING AS SURETY THE OUTPUT OF SECTORS OF HIGH EXPORT POTENTIAL, SUCH AS OFFSHORE FISHERIES.

5. AT THE END OF THE MEETING, IN THE COURSE OF EXPRESSING APPRECIATION FOR THE BRIEFING, I STRESSED THE NEED FOR A CONTINUOUS FLOW OF ACCURATE DATA ON GUB ECONOMIC PERFORMANCE, SAYING THAT PRECISE AND MEANINGFUL STATISTICS BY WHICH TO MEASURE THE IMPACT OF PROJECTED REFORMS WOULD BE MOST IMPORTANT IN ENABLIVJKUS TO FRAME OUR OWN ATTITUDE TOWARD ANY AID PROPOSALS. THERE WAS NO DISAGREEMENT FROM THE BURMESE SIDED

6. COMMENT: WITH THE IBRD ENCOURAGING THEM IN THEIR OPTIMISM, IT IS UNLIKELY THAT THE GUB WILL ACCEPT THE NEED FOR FURTHER ECONOMIC REFORMS WITHOUT CEODDING, EITHER FROM PROSPECTIVE DONORS OR FROM DIRE ECONOMIC NECESSITY, OR BOTH. THE U.S. SHOULD PARTICIPATE IN THE CONSULTATIVE GROUP DELIBERATIONS, BUT CONTINUE TO SEEK EVIDENCE THAT THE CURRENT REFORMS ARE WORKING AS INTENDED, AND ARE ADEQUATE TO MAKE EXTERNAL AID EFFECTIVE, BEFORE CONSIDERING PARTICIPATION IN ACTUAL AID PROJECTS. SUCH A U.S. POSTURE MAY HAVE A PRODDING EFFECT OF THE SORT REQUIRED.

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